

BOARD OF LEVEE COMMISSIONERS
OF THE
PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
LUTCHER, LOUISIANA
JUNE 30, 2015

Audit of Financial Statements
JUNE 30, 2015

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Broussard & Company
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Levee Commissioners of the
Pontchartrain Levee District
State of Louisiana
Lutcher, Louisiana

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pontchartrain Levee District (the "Levee District"), a component unit of the State of Louisiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Levee District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentations of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Pontchartrain Levee District as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to management's discussion and analysis and the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Levee District's basic financial statements. The other accompanying supplementary information and the Division of Administration Reporting Packet, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements of the Levee District.

The other accompanying supplementary information and the Division of Administration Reporting Packet, as listed in the table of contents, are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information noted above is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2015, on our consideration of the Levee District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results on our audit.



Lake Charles, Louisiana
August 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis of the Board of Levee Commissioners of the Pontchartrain Levee District (the "Levee District") financial performance presents a narrative overview and analysis of the commission's financial activities for the year ended June 30, 2015. This document focused on the current year's activities, resulting changes and currently known facts. Please read this document in conjunction with the Levee District's financial statements.

Financial Highlights

- Total net position increased \$4,608,334, to \$37,953,936 at June 30, 2015 from the June 30, 2014 amount of \$42,561,770 – a decrease of 10.8%. This decrease is due to a prior period adjustment of \$4,954,274 for the recognition of the Levee District's pension liability which was offset by the excess of revenues over expenses of \$345,940.
- The Levee District recorded long-term debt for the other post-employment benefits (other than retirement benefits) liability for retiree's benefits in the amount of \$4,547,416 as required under Government Accounting Standard Board Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. See notes to financial statements for further discussion.
- The Levee District recognized its proportionate share of its pension liability in fiscal year 2015 in accordance with GASB 68 in the amount of \$6,272,213 as of June 30, 2015. Beginning net position was decreased by \$4,954,274 as a result of this restatement.
- During fiscal year 2014, the Levee District made levee improvements including levee lifts and other improvements and repairs to pump station totaling \$10,288,002.

Overview of the basic financial statements

This discussion and analysis is intended to serve as an introduction to the Levee District's financial statements, which is comprised of government-wide financial statements, fund financial statements and notes to the financial statements.

The government-wide financial statements present financial information for all activities of the Levee District from an economic resources measurement focus using the accrual basis of accounting. They present governmental activities, such as general government and debt service, separately from business-type activities. The Levee District has only governmental activities. Government-wide financial statements for governmental activities include the Statement of Net Position and the Statement of Activities. They provide information about the activities of the Levee District as a whole and present a longer-term view of the Levee District's finances.

The Levee District has several governmental type funds with its major funds being the General Fund, Special Construction Fund, Cross Bayou Pumping Station Fund and the West Shore Feasibility Study Fund. The fund financial statements are comprised of the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances. These statement report how the Levee District's flood protection services are financed in the short term as well as what remains for future spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Levee District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Levee District's programs. Fund financial statements also report the Levee District's operations in more detail than the government-wide statements by providing information about the Levee District's major funds. We describe the relationship (or differences) between the governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds in a reconciliation at the bottom of the fund financial statements.

Financial Analysis of the Levee District

The following presents condensed financial information on the operation of the Levee District:

MANAGEMENT'S DISCUSSION AND ANALYSIS

| | June 30, 2015 | 41,820 | Change Inc (Dec) |
|---|----------------------|----------------------|-----------------------|
| Current Assets and deferred outflows | \$ 28,823,178 | \$ 25,009,882 | \$ 3,813,296 |
| Capital Assets, net | 21,573,758 | 22,186,945 | (613,187) |
| Total Assets | \$ 50,396,936 | \$ 47,196,827 | \$ 3,200,109 |
| Current Liabilities | \$ 438,460 | \$ 365,828 | \$ 72,632 |
| Long Term Liabilities and deferred inflow | 12,005,040 | 4,269,229 | 7,735,811 |
| Total Liabilities | \$ 12,443,500 | \$ 4,635,057 | \$ 7,808,443 |
| Net Investment In Capital Assets | \$ 21,573,758 | \$ 22,186,945 | \$ (613,187) |
| Unrestricted Net Position | 16,379,678 | 20,374,825 | (3,995,147) |
| Total Net Position | \$ 37,953,436 | \$ 42,561,770 | \$ (4,608,334) |
| | | | |
| General Revenues | | | |
| Taxes | 9,956,541 | 8,955,545 | 1,000,996 |
| Intergovernmental Revenues | 348,210 | 536,202 | (187,992) |
| Investment | 299,794 | 349,495 | (49,701) |
| Other | 29,397 | 86,671 | (57,274) |
| Total General Revenues | 10,633,942 | 9,927,913 | 706,029 |
| Total Expenses | 10,288,002 | 9,298,670 | (989,332) |
| Change in Net Position | \$ 345,940 | \$ 629,243 | \$ 1,695,361 |

The Levee District's net position increased from operations by \$345,940 during the fiscal year ended June 30, 2015 primarily due to increased collection of ad valorem taxes.

Analysis of Individual Funds of the Levee District

The activity in the individual funds is reflected in the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. The total net position and the change in net position as reflected in the government-wide financial statements (which are condensed above) are reconciled with the fund financial statements at the bottom of the respective statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Budgeted Amounts

A comparison of budget to actual for the general fund, capital projects fund and the debt service fund is presented as a required supplemental statement. The annual budget is approved by the Board of Commissioners each year. The budgets is then submitted for approval to the Joint Legislative Committee on the budget no later than ninety days prior to the end of each fiscal year for the succeeding fiscal year for review. The fiscal year ended June 30, 2015, original budget was adopted June 15, 2015.

The Levee District prepares the original budget for the subsequent year based on estimates of revenues and expenses for the current year. The Levee District makes assumptions about the subsequent year based on various factors available to management at the time the original budget is prepared. Management relies on the estimates and assumptions to determine how revenues and expenses for the subsequent year may fluctuate from the previous year.

Economic Factors and Next Year's Budgets

The Levee District does not expect any significant variances for revenue or expenditure accounts between fiscal years ending June 30, 2015 and June 30, 2014.

Capital Assets and Long Term Debt Administration

Capital Assets

As of June 30, 2015, the Levee District had \$21,573,758 (net of depreciation) invested in a broad range of capital assets including land, building, equipment and infrastructure (lock system, pump stations and pumps). The levees are not owned by the Levee District and the Levee District is not responsible for significant maintenance on them; therefore, they are not recorded as capital assets. During the current year, the Levee District recorded \$247,889 of capital acquisitions and \$861,076 of depreciation.

Long Term Debt

The Levee District has recorded compensated absences payable as of June 30, 2015, in the amount of \$230,384, which represents an increase of \$219 from the prior year.

Also included in long term debt is the other post-employment benefits liability for retiree's benefits in the amount of \$4,547,416 as required under Government Accounting Standard Board Statements No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. See notes to financial statements for further discussion.

Also included in long term debt is the net pension liability for retiree's benefits in the amount of \$6,272,213 as required under Government Accounting Standard Board Statements No. 68 – *Accounting and Financial Reporting by Employers for Pensions*. See notes to financial statements for further discussion.

Contacting the Levee District's Financial Management

This report is designed to provide our citizens, taxpayers and creditors with a general overview of the Levee District's finances. If you have any questions regarding this report, contact Monica Salins at 225-869-9721.

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|-----------------------------|
| Cash in Banks | \$ 9,986,352 |
| Investments | 16,498,426 |
| Accounts receivable | 76,783 |
| Prepaid insurance | 283,246 |
| Inventories | 39,051 |
| Property and equipment, net | 21,573,758 |
| Total assets | <u>48,457,616</u> |
| Deferred outflows of resources | 1,939,320 |
| Total assets and deferred outflows of resources | <u><u>\$ 50,396,936</u></u> |

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

| | |
|--|-----------------------------|
| Liabilities | |
| Accounts payable | \$ 264,708 |
| Salaries and wages payable | 173,752 |
| Accrued compensated absences | 230,384 |
| Net pension liability | 6,272,213 |
| Other post employment benefits payable | 4,547,416 |
| Total liabilities | <u>11,488,473</u> |
| Deferred inflows of resources | <u>955,027</u> |
| Net position | |
| Net Investment in Capital Assets | 21,573,758 |
| Unrestricted | 16,379,678 |
| Total net position | <u><u>37,953,436</u></u> |
| Total liabilities and net position | <u><u>\$ 50,396,936</u></u> |

The accompanying notes are an integral part of these financial statements.

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
STATEMENT OF ACTIVITIES
JUNE 30, 2015

PROGRAM REVENUES

| Functions/programs | | | | Net Revenue and |
|-------------------------------|----------------------|--|--|-------------------------|
| | Expenses | Operating Grants and Contributions | Capital Grants and Contributions | Change in Net Position |
| Governmental activities | | | | Governmental Activities |
| Levee maintenance | \$ 10,288,002 | \$ - | \$ - | \$ (10,288,002) |
| Total governmental activities | <u>\$ 10,288,002</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(10,288,002)</u> |

General Revenues:

| | |
|----------------------------|---------------|
| Taxes | 9,956,541 |
| Intergovernmental revenues | 348,210 |
| Investment income | 299,794 |
| Miscellaneous | <u>29,397</u> |

| | |
|------------------------|-------------------|
| Total general revenues | <u>10,633,942</u> |
|------------------------|-------------------|

| | |
|------------------------|---------|
| Change in net position | 345,940 |
|------------------------|---------|

| | |
|---|----------------------|
| Net position - beginning of the year as previously stated | 42,561,770 |
| Prior period adjustment for net pension liability | <u>(4,954,274)</u> |
| Net position - end of the year | <u>\$ 37,953,436</u> |

The accompanying notes are an integral part of these financial statements.

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

| | Major Funds | | | | Non-major | | |
|--------------------------------------|----------------------|---------------------------|-----------------------------|-----------------------------------|-------------------|-----------|--------------------|
| | General Fund | Special Construction Fund | Cross Bayou Pumping Station | West Shore Feasibility Study Fund | Other Funds | Total | Governmental Funds |
| ASSETS | | | | | | | |
| Cash | \$ 8,232,491 | \$ 69,903 | \$ 1,113,885 | \$ 233,570 | \$ 336,503 | \$ | 9,986,352 |
| Investments | 9,146,225 | 7,352,201 | - | - | - | | 16,498,426 |
| Accounts receivable | 53,497 | 23,286 | - | - | - | | 76,783 |
| Prepaid insurance | 283,246 | - | - | - | - | | 283,246 |
| Inventories | 39,051 | - | - | - | - | | 39,051 |
| Total assets | <u>\$ 17,754,510</u> | <u>\$ 7,445,390</u> | <u>\$ 1,113,885</u> | <u>\$ 233,570</u> | <u>\$ 336,503</u> | <u>\$</u> | <u>26,883,858</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ 167,697 | \$ 51,755 | \$ 19,155 | \$ 4,621 | \$ 21,480 | \$ | 264,708 |
| Salaries payable | 173,752 | - | - | - | - | | 173,752 |
| Total liabilities | <u>341,449</u> | <u>51,755</u> | <u>19,155</u> | <u>4,621</u> | <u>21,480</u> | | <u>438,460</u> |
| Fund balances | | | | | | | |
| Nonspendable | 304,498 | - | - | - | - | | 304,498 |
| Restricted | - | - | - | - | - | | - |
| Committed | 11,892,855 | 7,393,635 | 1,094,730 | 228,949 | 315,023 | | 20,925,192 |
| Assigned | 1,410,924 | - | - | - | - | | 1,410,924 |
| Unassigned | 3,804,784 | - | - | - | - | | 3,804,784 |
| Total fund balances | <u>17,413,061</u> | <u>7,393,635</u> | <u>1,094,730</u> | <u>228,949</u> | <u>315,023</u> | | <u>26,445,398</u> |
| Total liabilities/fund bal | <u>\$ 17,754,510</u> | <u>\$ 7,445,390</u> | <u>\$ 1,113,885</u> | <u>\$ 233,570</u> | <u>\$ 336,503</u> | | |

Amounts reported for governmental activities in the statement of net position are different because:

The purchase of capital assets are reported as expenditures as they are incurred in the governmental funds. The statement of net position reports capital outlays as an asset of the District. These capital assets are depreciated over their estimated useful lives in the statement of activities and are not reported in the governmental funds.

26,859,032
(5,285,274)

Long term liabilities that are not due and payable in the current period are not reported as a liability in the governmental funds. All liabilities - both current and long term - are reported in the statement of net position.

| | |
|--|-------------|
| Accrued compensated absences | (230,384) |
| Net pension liability including deferred outflows and inflows related to pension | (5,287,920) |
| Other postemployment benefits liability | (4,547,416) |

| | |
|---|----------------------|
| Net position of governmental activities | <u>\$ 37,953,436</u> |
|---|----------------------|

The accompanying notes are an integral part of these financial statements.

**PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

| | Major Funds | | | | Non-major | |
|---|---------------|---------------------------|----------------------------------|-----------------------------------|-------------|--------------------------|
| | General Fund | Special Construction Fund | Cross Bayou Pumping Station Fund | West Shore Feasibility Study Fund | Other Funds | Total Governmental Funds |
| REVENUES | | | | | | |
| Taxes | \$ 9,956,541 | \$ - | \$ - | \$ - | \$ - | \$ 9,956,541 |
| Intergovernmental | 348,210 | - | - | - | - | 348,210 |
| Investment income | 179,196 | 120,577 | - | 21 | - | 299,794 |
| Miscellaneous | 29,397 | - | - | - | - | 29,397 |
| Total revenues | 10,513,344 | 120,577 | - | 21 | - | 10,633,942 |
| EXPENDITURES | | | | | | |
| Executive | 110,108 | - | - | - | - | 110,108 |
| General administrative | 1,471,316 | 15,507 | - | 1,125 | - | 1,487,948 |
| Levee maintenance | 4,892,741 | 276,788 | 592,478 | 72,216 | 294,811 | 6,129,034 |
| Police department | 967,727 | - | - | - | - | 967,727 |
| Capital outlay | 247,889 | - | - | - | - | 247,889 |
| Total Expenditures | 7,579,673 | 292,295 | 592,478 | 73,341 | 294,811 | 8,832,598 |
| Excess (deficiency) of revenues over (under) expenditures | 2,933,671 | (171,718) | (592,478) | (73,320) | (294,811) | 1,801,344 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in | - | 200,000 | - | - | 300,000 | 500,000 |
| Operating transfers out | (500,000) | - | - | - | - | (500,000) |
| Total other financing sources (uses) | (500,000) | 200,000 | - | 0 | 300,000 | - |
| Excess of revenues and other financing sources over expenditures and other financing uses | 2,433,671 | 28,282 | (592,478) | (73,320) | 5,189 | 1,801,344 |
| Fund balances-beginning | 14,979,390 | 7,365,353 | 1,687,208 | 302,269 | 309,834 | |
| Fund balances-end | \$ 17,413,061 | \$ 7,393,635 | \$ 1,094,730 | \$ 228,949 | \$ 315,023 | |

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is capitalized in the statement of net position.

This is the amount by which depreciation expense exceeded capital outlay during the year. (613,187)

Governmental funds report changes in certain liabilities in the General Long Term Debt Account Group, however the changes affect costs in the statement of activities.

Personnel cost decrease due to compensated absences. (219)

Pension expense – net of retirement contributions (333,646)

Adjusted for other post-employment benefits (508,352)

Change in net position of governmental activities \$ 345,940

The accompanying notes are an integral part of these financial statements.

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

INTRODUCTION

The Board of Levee Commissioners of the Pontchartrain Levee District (the "Levee District") was created by Louisiana Revised Statute 38:291. The Levee District includes all or portions of the following parishes: East Baton Rouge, Iberville, Ascension, St. James, St. John the Baptist and St. Charles. The Levee District primarily provides flood protection for those areas in the Levee District and is authorized to construct and maintain levees, levee drainage, pumps, pumping stations, drainage canals, sea wall, jetties, and breakwaters in the district to protect the lands from overflow and particularly from hurricane floodwaters and from inundation from tidewaters from the Gulf of Mexico. The Levee District administers the operations and responsibilities of Louisiana Statutes. Members of the Board are appointed by the Governor in accordance with the provisions of Louisiana Revised Statute 38:304.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*". The State of Louisiana and its components elected to implement the provision of this statement for the year ended June 30, 2002. The implementation of this statement has created additional statements, schedules, reports and note disclosures as follows:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the overall financial position and results of operations.
- Financial Statements are prepared using the full accrual accounting methods:
 - Depreciation is recorded on depreciable assets, and property and equipment (including infrastructure) is recorded net of accumulated depreciation.
- The basic financial statements include Government-wide Statements and Fund Financial Statements, as explained in the following note disclosures:

Reporting Entity

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the State to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the State.
2. Organizations for which the State does not appoint a voting majority but are fiscally dependent on the State.
3. Organizations for which the reporting entity financial statement would be misleading if data of the organization is not included because of the nature or significance of the relationship.

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Because the State of Louisiana, via the Governor, appoints all of the member of the Levee District's governing board and has the ability to impose its will on the Levee District, the Levee District was determined to be a component unit of the State of Louisiana. The accompanying financial statements present information only on the funds maintained by the Levee District and do not present information on the State of Louisiana, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

Policies specific to the government-wide financial statement are as follows:

Eliminating Internal Activity

Interfund receivables and payables are eliminated in the Statement of Net Position except for the net residual amounts due between governmental and business-type activities. These are presented as internal balances. The Levee District has no business-type activities.

Application of FASB Statement and Interpretations

Reporting on governmental-type activities is based on FASB Statement and Interpretations issued after November 30, 1989, except where they conflict or contradict FASB pronouncements.

Capitalizing Assets

Assets used in operation with an initial useful life that extends beyond one year are capitalized. Building, equipment, furniture and fixtures and infrastructure are depreciated over their estimated useful lives using the straight line method. Depreciation is not calculated on land, land improvements or construction in progress. Accumulated depreciation is recorded net of depreciable assets in the Statement of Net Position.

Program Revenues

The Statement of Activities presents two categories of program revenues – (1) charges for services and (2) capital grants and contributions.

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Charges for services – are revenues from exchanges or exchange like transactions with external parties that purchase, use or directly benefit from the program’s goods, services or privileges. These revenues include fees charged for specific services, licenses and permits, and operating special assessment and include payments from exchange transactions with other governments. The Levee District receives no fees for services.

Capital grants and contributions – are resources that are restricted for operating purposes of a program. They include grants and contributions with restrictions that permit the resources to be used for programs operating of capital needs at the recipient government’s discretion.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statement are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty-one days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to various governmental funds according to the purpose for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The Levee District report the following major governmental funds:

General Fund

The General Fund is the general operating fund of the Levee District. It is used to account for all financial resources except those required to be accounted for in other funds.

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The fund is presently being used to account for the construction of the levee system and pumping stations in the Levee District.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon thereafter to be used to pay the liabilities of the current fiscal year. For the Levee District, available means expected to be received within thirty-one days of the fiscal year-end. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year-end.

Non-exchange transactions, in which the Levee District receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements including timing requirements, which specify the year when resources are required to be used, matching requirements, in which the Levee District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Levee District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Revenues – Taxes

Ad valorem taxes are assessed on a calendar year basis, become due on November 15th of each year, and become delinquent on December 31st. Ad valorem taxes are recorded in the year the taxes are received. Sales taxes are recorded as revenue based on the month paid by the taxpayer. Sales taxes received by the Levee District in August are for the month of June and are recorded as a receivable as of June 30th. If taxes were recorded when assessed the amount recorded would not be materially different from the amount actually recorded in the financial statements.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measureable.

Other Financing Sources (Uses)

In governmental fund accounting, transfers between funds, which are not expected to be repaid, are accounted for as other financing sources (uses). In those cases where repayment is expected, the advances are accounted for through the various "due from" and "due to" accounts. These amounts are eliminated in the government-wide financial statements.

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Proceeds from the issuance of bonds are accounted for as other financing sources in the governmental funds. These amounts are recorded as liabilities in the government-wide financial statements.

Property and Equipment

Property and Equipment are recorded at cost, if purchased or constructed. Assets acquired through contributions are capitalized at their estimated fair value, if available, or at estimated fair value or cost to construct at the date of the contribution. Equipment includes all items valued above \$5,000 and infrastructure includes the cost to construct and improve the pumps, pump stations and lock systems. Assets are depreciated using the straight-line method over the useful lives of the assets as follows:

| <u>Asset</u> | <u>Years</u> |
|------------------------|--------------|
| Automobiles | 5 |
| Equipment | 5-10 |
| Furniture and Fixtures | 7 |
| Buildings | 40 |
| Infrastructure | 40 |

The Levee District provides general maintenance to forty-four miles of levees, which are not recorded in these financial statements because the District does not own the levees and is not responsible for significant maintenance on them.

Under GASB Statement No. 34, the government-wide financial statements and the fund financial statements do not include the General Fixed Asset Account Group.

Long-Term Obligations

Long-term obligations are reported at face value.

Under GASB Statement No. 34, the government-wide financial statement and the fund financial statements do not include the General Long Term Debt Account Group.

Budget Practices

The budget practices of the Levee District are prescribed by Louisiana Revised Statute 38:318. This statute requires the Levee District to submit its annual budget to the Joint Legislative Committee on the Budget, no later than 90 days prior to the end of each fiscal year for the succeeding fiscal year for review.

The Levee District prepares budgets for all its funds but does not budget the beginning fund balance for the Debt Service Fund. The budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). The budgets were amended once during the fiscal year.

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Amendments to the budget must be approved by the Board of Commissioners.

Appropriations which are not expended lapse at year end.

Encumbrances

Encumbrance accounting is not utilized by the Levee District.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include demand deposits in banks and the State Treasury. The caption "cash" on the Statement of net position includes all cash on deposit at banks, including certificates of deposit with an original maturity of less than 90 days. If the original maturity exceeds 90 days, they are classified as investments.

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana or any other federally insured investments, guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations.

Louisiana state law requires deposits (cash and certificates of deposit) of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes the FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision. The market value of the demand deposits and certificates of deposit is equal to their cost.

Compensated Absences

Employees earn and accumulate annual and sick leave at various rates based on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, an employee is compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is considered in computing the years of service for retirement benefit purposes.

Inventories

Inventories of fuel and mower parts are valued at the lower of cost or market and are recorded as expenditures at the time individual inventory items are purchased. The Levee District uses a periodic inventory system and values its inventory using the first-in, first-out (FIFO) valuation method. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute available expendable resources even though they are a component of net position.

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Fund Balance Classification Policies and Procedures

GASB 54 requires fund balances to be categorized as nonspendable, restricted, committed, assigned, and unassigned. Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Amounts that are restricted are those in which constraints have been placed on the use of the resource. Committed fund balances are those amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the Board of Commissioners. Assigned amounts are those that are constrained by management and the governing body, intended for a specific purpose, and not imposed by formal actions. Unassigned fund balance is a residual classification for those amounts not restricted, committed, or assigned.

NOTE 2. JUDGEMENTS, CLAIMS, AND SIMILAR CONTINGENCIES:

The Levee District is a defendant in several lawsuits involving disputed land ownership and right-of-way. The estimate of the amount or range of loss is between approximately \$1.7 million and \$28 million. Per GASB Codification C50, legal counsel's opinion is that the potential loss is reasonably possible but not probable.

NOTE 3. PER DIEM PAID BOARD MEMBERS:

Per diem payments are presented on Schedule IV. The per diem payments are authorized by Louisiana Revised Statute 38:308.

NOTE 4. DEPOSITS IN FINANCIAL INSTITUTIONS:

Cash and Cash Equivalents

The carrying amounts of the Levee District's deposits are as follows for the year ended June 30, 2015:

| | |
|-----------------|----------------------|
| Demand deposits | <u>\$ 10,003,492</u> |
|-----------------|----------------------|

Custodial credit risk

Under State law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer.

At June 30, 2015, the Levee District has \$10,003,492 in bank balances for cash deposits which is not necessarily equal to the balance sheet cash balance due to outstanding items. \$250,000 of the bank balances are covered by FDIC Insurance, the remaining \$9,753,492 of deposits are secured with pledged securities held by the Levee District's agent in Pontchartrain Levee District's name.

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. PROPERTY AND EQUIPMENT:

At June 30, 2015, the Levee District reported the following capital assets valued at historical cost. A summary of changes in capital assets is as follows:

| | June 30, 2013 | Adjustments | Additions | Deletions | June 30, 2014 |
|--------------------------------|---------------|-------------|-----------|-----------|---------------|
| Assets not being depreciated: | | | | | |
| Land | \$ 1,097,676 | \$ - | \$ - | \$ - | \$ 1,097,676 |
| Total not depreciated | 1,097,676 | - | - | - | 1,097,676 |
| Assets being depreciated | | | | | |
| Buildings | 1,218,641 | - | - | - | 1,218,641 |
| Equipment | 3,870,942 | - | 247,889 | 162,215 | 3,956,616 |
| Infrastructure | 20,586,099 | - | - | - | 20,586,099 |
| Total assets being depreciated | 25,675,682 | - | 247,889 | 162,215 | 25,761,356 |
| Total Capital Assets | 26,773,358 | - | 247,889 | 162,215 | 26,859,032 |
| Accumulated Depreciation: | | | | | |
| Buildings | 467,436 | - | 41,621 | - | 509,057 |
| Equipment | 2,832,346 | - | 304,803 | 162,215 | 2,974,934 |
| Infrastructure | 1,286,631 | - | 514,652 | - | 1,801,283 |
| Total Accumulated depreciation | 4,586,413 | - | 861,076 | 162,215 | 5,285,274 |
| Total Capital Assets, net | \$ 22,186,945 | \$ - | (613,187) | \$ - | 21,573,758 |

Depreciation expense amounted to \$861,076 for the year ended June 30, 2015.

NOTE 6. LONG-TERM OBLIGATIONS:

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities follows:

| | July 1, 2014 | Additions | Deletions | Adjustments | June 30, 2015 | Amounts due within one year |
|-----------------------|--------------|--------------|-----------|-------------|---------------|-----------------------------|
| OPEB Payable | 4,039,064 | 508,352 | - | - | 4,547,416 | - |
| Net Pension Liability | 5,496,687 | 775,526 | - | - | 6,272,213 | - |
| Compensated Absences | 230,165 | 219 | - | - | 230,384 | - |
| | \$ 9,765,916 | \$ 1,284,097 | \$ - | \$ - | \$ 11,050,013 | \$ - |

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7. INVESTMENTS:

The Levee District maintains investment account as authorized by Louisiana Revised Statute 33 2955. Investments are stated at fair value. Per Louisiana Revised Statute 39 255, the Levee District may only invest in specified obligations. The current investment obligations are in accordance with the State statute and rated AAA by Standard and Poor's Moody's Investors Service and Fitch Ratings

Custodial credit risk

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured, not registered in the name of the entity, and are either held by the counterparty or the counterparty's trust department or agent but not in the entity's name. The following table shows each type of investment and discloses the total carrying amounts and market values. All investments listed below are registered in the name of the Levee District.

Investments at June 30, 2015, are comprised of:

| | <u>Reported Amount</u> | <u>Market Value</u> |
|--------------------------|----------------------------|----------------------|
| US Government Securities | <u>\$ 16,498,426</u> | <u>\$ 16,498,426</u> |

All investments are obligations of or guaranteed by the United States Government.

Concentration of credit risk

The Levee District's investment policy does not allow for funds contracted with an investment advisor, for management purposes to exceed ten percent of the advisor's assets under management.

Interest rate risk

In accordance with its investment policy, the Levee District manages its exposure to declines in fair values by permitting shifts along the yield curve and between sectors of the fixed income market. The Levee District minimizes risk through diversification, thus the portfolio may not hold more than thirty percent at cost of any single bond issue.

Maturities of investments

The maturity of the US Government Securities are as follows:

| | |
|---------------|----------------------|
| 1 to 5 years | \$ 10,490,658 |
| 6 to 10 years | <u>6,007,768</u> |
| | <u>\$ 16,498,426</u> |

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

Plan description

Louisiana State employees may participate in the State's Other Post-employment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The Office of Group Benefits administers the plan. LRS 42:801-883 provides the authority to establish and amend benefit provisions of the plan. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in Louisiana Comprehensive Annual Financial Report (CAFR).

You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy

The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plant member and the Board are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage.

Annual OPEB Cost

The Levee District's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the fiscal year ended June 30, 2015, is \$516,500.

The following table presents the Levee District's OPEB Obligation for the fiscal year 2014:

| | |
|--|---------------------|
| Annual required contribution | \$ 516,500 |
| Interest on Net OPEM Obligation | 161,600 |
| ARC Adjustment | <u>(154,340)</u> |
| OPEB Cost | 523,760 |
| Contributions made (retiree cost) | <u>15,408</u> |
| Change in Net OPEB Obligation July 1, 2013 | 508,352 |
| Ending Net OPEB Obligation June 30, 2015 | <u>4,039,064</u> |
| | <u>\$ 4,547,416</u> |

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (continued):

Utilizing the pay-as-you-go method, the Levee District contributed 2.94% and 3.05% of the annual post-employment benefits cost during 2015 and 2014, respectively.

Funded Status and Funding Progress

During the year ended June 30, 2015, the Levee District made contributions of \$15,408 to its OPEB trust. A trust was established with an effective date of July 1, 2008, but was not funded at all, has no assets, and hence has a funded ratio of zero. Since the plan was not funded, the entire actuarial accrued liability of \$6,787,900 was unfunded.

The funded status of the plan as of July 1, 2013, was as follows:

| | |
|---|--------------|
| Actuarial accrued liability (AAL) | \$ 7,168,000 |
| Actuarial value of plan assets | <u>0</u> |
| Unfunded actuarial accrued liability (UAAL) | 7,168,000 |
| Funded ratio (actuarial value of plan assets/AAL) | 0% |
| Covered payroll (annual payroll of active employee covered by the plan) | \$ 2,065,800 |
| UAAL as a percentage of covered payroll | 346.98% |

Actuarial Methods of Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In July 1, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 8.0% and 6.0% for pre-Medicare and Medicare eligible, respectively, scaling down to ultimate rates of 4.5% per year. The Levee District's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2015, was thirty years.

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9. COMMITMENTS AND CONTINGENCIES:

West Shore Feasibility

The Levee District has entered into an agreement with the U.S. Corps of Engineers whereby the Corps will conduct a "Feasibility Phase Study" to assess the extent of Federal interest in participating in a solution to the problem of hurricane protection and flood control in St. John the Baptist Parish.

The Water Resources Act of 1996 requires local non-federal funding of 50% of the study cost. The local non-federal portion of the study is estimated to be \$1,500,000. The Levee District has entered into a cooperative agreement with St. John the Baptist Parish whereby the Levee District will pay 80% of the non-federal portion of the study cost and St. John the Baptist Parish will provide the remaining 20%. The balance of funding needed to complete this study totaled approximately \$225,000 as of June 30, 2015.

St. Charles Parish Urban Flood Control Feasibility Study

The Levee District has entered into an agreement with the U.S. Corps of Engineers whereby the Corps will conduct a "Feasibility Phase Study" to assess the extent of Federal interest in participating in a solution to the problem of hurricane protection and flood control in St. Charles Parish. The Water Resources Act of 1996 requires local non-federal funding of 50% of the study cost.

To date, the Levee District has allocated approximately \$32,000,000 for the design and construction of Lake Pontchartrain Hurricane Protection Levee Pump Stations.

NOTE 10. SUBSEQUENT EVENTS:

Management has evaluated events through August 31, 2015, the date which the financial statements were available for issue. There were no items to be reported as subsequent events.

NOTE 11. LEVEE DISTRICT TAXES:

Article 6, Section 39 of the 1974 Louisiana Constitution provides that for the purpose of constructing and maintaining levees, levee drainage, flood protection, hurricane flood protection and for all other purposes incidental thereto, the Levee District may levy annually a tax not to exceed five mills. If the Levee District needs to raise additional funds in excess of the amount collected constitutionally, the taxes in excess of five mills must be approved by a majority vote of the electors. The Levee has levied a tax of 3.47 mills.

NOTE 12. INFRASTRUCTURE:

The United States Corps of Engineers owns the levees and provides the major maintenance to the levees. The levees are along the corridor along the river. The Levee District provides minor maintenance such as grass cutting along the east bank of the levee from East Baton Rouge Parish to St. Charles Parish which is approximately 115 miles long. The approximate cost of the levees as determined by the Corps of Engineers is \$484,064 per mile for the total cost of \$55,667,360. As such levees provide vital protection to the large petro-chemical industries located along the river from the annual spring rise in river levels.

NOTE 13. GRANTORS:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such grantor agencies, principally the state of Louisiana. Any disallowed claims, including amounts collected, may constitute a liability of the applicable funds.

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14. RETIREMENT SYSTEM:

Pensions

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Louisiana State Employees' Retirement System (LASERS) and additions to/deductions from LASERS' fiduciary net position have been determined on the same basis as they are reported by LASERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description

Employees of the Levee District are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the Louisiana State Employees' Retirement System (LASERS). Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) grants to LASERS Board of Trustees and the Louisiana Legislature the authority to review administration, benefit terms, investments, and funding of the plan. LASERS issues a publicly available financial report that can be obtained at www.lasersonline.org.

Benefits Provided

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

1. Retirement

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. The majority of LASERS rank and file members may either retire with full benefits at any age upon completing 30 years of creditable service or at age 60 upon completing five to ten years of creditable service depending on their plan. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement benefits under any one of six different options providing for reduced retirement benefits payable throughout their life, with certain benefits being paid to their designated beneficiary after their death.

Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5%

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12. RETIREMENT SYSTEM (continued):

accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification but generally is ten years of service.

2. Deferred Retirement Benefits

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

3. Disability Benefits

All members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees.

For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation.

4. Survivor's Benefits

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12. RETIREMENT SYSTEM (continued):

5. Permanent Benefit Increases/Cost-of-Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, the System allows for the payment of permanent benefit increases, also known as cost-of-living adjustments (COLAs), that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) and may be amended by the Louisiana Legislature. Employee and employer contributions are deducted from a member's salary and remitted to LASERS by participating employers. The rates in effect during the year ended June 30, 2015 for the various plans follow:

| <u>Plan</u> | <u>Plan Status</u> | <u>Employee Contribution Rate</u> | <u>Employer Contribution Rate</u> |
|--|--------------------|-----------------------------------|-----------------------------------|
| Regular Employees and Appellate Law Clerks | | | |
| Pre Act 75 (hired before 7/1/2006) | Closed | 7.5% | 37% |
| Post Act 75 (hired after 6/30/2006) | Open | 8.0% | 37% |
| Optional Retirement Plan (ORP) | | | |
| Pre Act 75 (hired before 7/1/2006) | Closed | 7.5% | 37% |
| Post Act 75 (hired after 6/30/2006) | Closed | 8.0% | 37% |
| Legislators | Closed | 11.5% | 41.2% |
| Special Legislative Employees | Closed | 9.5% | 41.2% |
| Judges hired before 1/1/2011 | Closed | 11.5% | 41.5% |
| Judges hired after 12/31/2010 | Open | 13.0% | 36.2% |
| Corrections Primary | Closed | 9.0% | 39.9% |
| Corrections Secondary | Closed | 9.0% | 40.8% |
| Wildlife Agents | Closed | 9.5% | 46.9% |
| Peace Officers | Closed | 9.0% | 41.5% |
| Alcohol Tobacco Control | Closed | 9.0% | 44.8% |
| Bridge Police | Closed | 8.5% | 35.3% |
| Hazardous Duty | Open | 9.5% | 35.6% |

The agency's contractually required composite contribution rate for the year ended June 30, 2015 was 37.23% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the Agency were \$732,355 for the year ended June 30, 2015.

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12. RETIREMENT SYSTEM (continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Employer reported a liability of \$6,272,213 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Agency's proportion of the Net Pension Liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Agency's proportion was 0.10031%, which was an increase of 0.02485% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Agency recognized pension expense of \$487,402 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$578,599.

At June 30, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 111,763 |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 793,495 |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 1,206,965 | 49,769 |
| Employer contributions subsequent to the measurement date | 732,355 | - |
| Total | <u>\$ 1,939,320</u> | <u>\$ 955,027</u> |

\$732,355 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|------|------------|
| 2016 | \$ 832,854 |
| 2017 | \$ 832,854 |
| 2018 | \$ 198,374 |
| 2019 | \$ 198,374 |

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12. RETIREMENT SYSTEM (continued):

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2014, and 2013 are as follows:

| | |
|--|--|
| Valuation Date | June 30, 2014 and 2013 |
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Assumptions: | |
| Expected Remaining Service Lives | 3 years. |
| Investment Rate of Return | 7.75% per annum. |
| Inflation Rate | 3.0% per annum. |
| Mortality | <p>Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015.</p> <p>Disabled members – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.</p> |
| Termination, Disability, and Retirement | Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members. |
| Salary Increases | Salary increases were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are: |

| Member Type | Lower Range | Upper Range |
|--------------------|--------------------|--------------------|
| Regular | 4.0% | 13.0% |
| Judges | 3.0% | 5.5% |
| Corrections | 3.6% | 14.5% |
| Hazardous Duty | 3.6% | 14.5% |
| Wildlife | 3.6% | 14.5% |

| | |
|-----------------------------------|--|
| Cost of Living Adjustments | The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic. |
|-----------------------------------|--|

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12. RETIREMENT SYSTEM (continued):

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

| Asset Class | Target Allocation¹ | Long-Term Expected Real Rate of Return |
|----------------------------|--------------------------------------|---|
| Cash | 0% | 0.50% |
| Domestic equity | 27% | 4.69% |
| International equity | 30% | 5.83% |
| Domestic Fixed Income | 11% | 2.34% |
| International Fixed Income | 2% | 4.00% |
| Alternative Investments | 23% | 8.09% |
| Global Asset Allocation | 7% | 3.42% |
| Total | 100% | 5.78% |

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.75%, as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

| | Current Discount Rate | | |
|---|------------------------------|----------------|------------------------------|
| | 1.0% Decrease (6.75%) | (7.75%) | 1.0% Increase (8.75%) |
| Employer's proportionate share of the net pension liability | \$ 8,044,621 | \$ 6,272,213 | \$ 4,769,844 |

REQUIRED SUPPLEMENTARY SCHEDULES – PART II

PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR END JUNE 30, 2015

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|------------------------------|---------------|--|
| REVENUES | | | |
| Taxes | \$ 9,583,922 | \$ 9,956,541 | \$ 372,619 |
| Intergovernmental Revenues | 364,880 | 348,210 | (16,670) |
| Investment Income | 90,475 | 179,196 | 88,721 |
| Other Revenues | 1,000 | 29,397 | 28,397 |
| Total Revenues | 10,040,277 | 10,513,344 | 473,067 |
| EXPENDITURES | | | |
| Executive | 132,455 | 110,108 | 22,347 |
| General Administrative | 2,116,322 | 1,471,316 | 645,006 |
| Levee Maintenance | 5,077,610 | 4,892,741 | 184,869 |
| Police Department | 1,064,890 | 967,727 | 97,163 |
| Capital Outlay | 1,649,000 | 247,889 | 1,401,111 |
| Total Expenditures | 10,040,277 | 7,579,673 | 2,328,149 |
| Excess of revenues over expenditures | - | 2,933,671 | 2,933,671 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating Transfer In | - | - | - |
| Operating Transfers Out | (1,100,000) | (500,000) | 600,000 |
| Total other financing sources (uses) | (1,100,000) | (500,000) | 600,000 |
| Excess of revenues and other financing sources over expenses and other financing uses | (1,100,000) | 2,433,671 | 3,533,671 |
| Fund balances - beginning of year | 14,979,390 | 14,979,390 | - |
| Fund balances - end of year | \$ 13,879,390 | \$ 17,413,061 | \$ 3,533,671 |

See accompanying notes to financial statements.

**PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE II
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

Required Supplementary Information
Schedule of Funding Progress for Louisiana's State OPEB Plan

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Projected Unit Cost | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|---|------------------------|-----------------|--------------------|--|
| 7/1/2010 | \$ - | \$ 8,131,300 | \$ 8,131,300 | 0.00% | \$ 1,823,600 | 445.89% |
| 7/1/2011 | \$ - | \$ 6,264,100 | \$ 6,264,100 | 0.00% | \$ 2,035,900 | 307.68% |
| 7/1/2012 | \$ - | \$ 6,702,000 | \$ 6,702,000 | 0.00% | \$ 1,906,700 | 351.50% |
| 7/1/2013 | \$ - | \$ 6,787,900 | \$ 6,787,900 | 0.00% | \$ 1,854,614 | 366.00% |
| 7/1/2014 | \$ - | \$ 7,168,000 | \$ 7,168,000 | 0.00% | \$ 2,065,800 | 346.98% |

Pontchartrain Levee District
Schedule of Employer's Share of Net Pension Liability
For the Year Ended June 30, 2015

| | <u>2015</u> |
|--|--------------|
| Employer's Proportion of the Net Pension Liability (Asset) | 0.10031% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | \$ 6,272,213 |
| Employer's Covered-Employee Payroll | \$ 1,846,322 |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 339.71% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 65% |

The amounts presented have a measurement date of the previous fiscal year end.

Pontchartrain Levee District
Schedule of Employer Contributions
For the Year Ended June 30, 2015

| Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Employee Payroll | Contributions as a % of Covered Employee Payroll |
|------|---|--|--|--|--|
| 2015 | \$ 687,449 | \$ 732,355 | \$ (44,906) | \$ 1,846,322 | 39.67% |

Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes in Benefit Terms include:

1. A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session, and,
2. Improved benefits for certain members employed by the Office of Adult Probation and Parole within the Department of Public Safety and Corrections as established by Act 852 of 2014.

Changes of Assumptions

There were no changes of benefit assumptions for the year ended June 30, 2015.

**PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE III
PER DIEM PAID BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2015**

The schedule of per diem paid to board members of the Levee District is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Per diem payments are authorized by Louisiana Revised Statute 38:308 and are included in the general administrative expenditures of the General Fund. Board members are paid \$75 per meeting for up to 36 meetings each year, except the Board President who receives a per diem of \$1,000 per month.

| Name | Amount |
|------------------|------------------|
| Henry Baptiste | \$ 2,175 |
| Patrick Bell | 2,625 |
| Ricky Bosco | 2,400 |
| Perry Hebert | 2,475 |
| Leonard Irvin | 2,475 |
| Marty Poche | 2,625 |
| Jerry Savoy | 2,250 |
| Allen St. Pierre | 2,550 |
| | <u>\$ 19,575</u> |

**PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
NON-MAJOR FUNDS DESCRIPTION**

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for the acquisition or construction of major capital facilities.

St. Charles Urban Flood Control Fund

The St. Charles Urban Flood Control Fund is used to account for expenditures made for the purpose of building and maintaining flood prevention measures in urban and residential areas in St. Charles Parish.

Amite River and Tributaries Fund

The Amite River and Tributaries Fund is used to account for expenditures made for the purpose of building and maintaining flood prevention measures in urban and residential areas near the Amite River in Ascension Parish.

**PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2015**

| | St. Charles Urban Flood Control Fund | Amite River and Tributaries Fund | Total Non-Major Funds |
|---|--|--|-----------------------------|
| <u>ASSETS</u> | | | |
| Cash & Cash Equivalents | \$ 71,608 | \$ 264,895 | \$ 336,503 |
| Accounts Receivable | - | - | - |
| Due from Other Funds | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| TOTAL ASSETS | <u>\$ 71,608</u> | <u>\$ 264,895</u> | <u>\$ 336,503</u> |
| LIABILITIES AND FUND BALANCE | | | |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | \$ 2,805 | \$ 18,675 | \$ 21,480 |
| Other Accrued Expenses | - | - | - |
| Due to Other Funds | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LIABILITIES | <u>2,805</u> | <u>18,675</u> | <u>-</u> |
| <u>FUND BALANCE</u> | | | |
| Committed | <u>68,803</u> | <u>246,220</u> | <u>315,023</u> |
| <u>TOTAL LIABILITIES AND FUND BALANCE</u> | <u>\$ 71,608</u> | <u>\$ 264,895</u> | <u>\$ 315,023</u> |

**PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

| | St. Charles Urban Flood Control Fund | Amite River and Tributaries Fund | Total Non-Major Funds |
|--|--|--|-----------------------------|
| <u>Revenues</u> | | | |
| Intergovernmental | \$ - | \$ - | \$ - |
| Other | - | - | - |
| Total Revenues | - | - | - |
| <u>Expenditures</u> | | | |
| General Administrative | - | - | - |
| Levee Maintenance | 240,483 | 54,328 | 294,811 |
| Total Expenditures | 240,483 | 54,328 | 294,811 |
| Excess (Deficiency) of Revenues Over Expenditures | (240,483) | (54,328) | (294,811) |
| Other Financing Sources (Uses) | | | |
| Transfers In | 300,000 | - | 300,000 |
| Net Change in Fund Balance | 59,517 | (54,328) | 5,189 |
| Fund Balance at Beginning of Year | 9,286 | 300,548 | 309,834 |
| FUND BALANCE AT END OF YEAR | \$ 68,803 | \$ 246,220 | \$ 315,023 |

PONTCHARTRAIN LEVEE DISTRICT
STATE REVENUE SHARING
FOR THE YEAR ENDED JUNE 30, 2015

| | |
|-----------------------|------------------|
| State Revenue Sharing | <u>\$348,210</u> |
|-----------------------|------------------|

Pontchartrain Levee District
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended June 30, 2015

Agency Head Name: Monica Salins, Executive Director

| Purpose | Amount |
|--|------------|
| Salary | \$ 115,315 |
| Benefits - insurance | \$ 9,893 |
| Benefits - retirement | \$ 36,094 |
| Deferred compensation (contributions made by the agency) | |
| Benefits - other (pair of shoes) | |
| Benefits - other (fuel district vehicle) | |
| Car allowance | |
| Vehicle provided by government | |
| Cell phone | \$ 900 |
| Dues | |
| Vehicle rental | |
| Per diem | |
| Reimbursements | \$ 273 |
| Travel | |
| Registration fees | \$ 990 |
| Conference travel | \$ 800 |
| Housing | |
| Unvouchered expenses | |
| Special meals | |
| Other | |



Broussard & Company
Certified Public Accountants

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

Board of Levee Commissioners of the
Pontchartrain Levee District
State of Louisiana
Lutcher, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Pontchartrain Levee District (the "Levee District"), a component unit of the State of Louisiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Levee District's basic financial statements and have issued our report thereon dated August 31, 2015.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Levee District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Levee District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Levee District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Levee District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and no to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, likely reading "Kroussard and Company", written in dark ink.

Lake Charles, Louisiana
August 31, 2015

BOARD OF COMMISSIONERS
PONTCHARTRAIN LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF FINDING AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

We have audited the financial statements of the governmental activities and each major fund of the Board of Levee Commissioners of the Pontchartrain Levee District ("the Levee District") as of and for the year ended June 30, 2015, and have issued our report thereon dated August 31, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2015 resulted in an unmodified opinion.

Section I – Summary of Auditor's Reports

a. Report on Internal control and compliance Material to the Financial Statements:

Internal Control:

Material Weakness – NO
Significant Deficiency – NO
Other Conditions – NO

Compliance:

Compliance Material to the Financial Statements – NO

b. Federal Awards:

Not applicable.

Section II – Financial Statement Findings

Not applicable.

Section III – Federal Award Findings and Questioned Costs

Not applicable.

Section IV – Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2015.

DIVISION OF ADMINISTRATION REPORTING PACKET – ANNUAL FINANCIAL REPORT

Pontchartrain Levee District
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2015

C O N T E N T S

| | | |
|---|---|----------|
| Affidavit | | |
| List of Discrete Component Units | | i |
| | Statements | |
| Statement of Net Position | | A |
| Simplified Statement of Activities (including instructions) | | C |
| Notes to the Financial Statements | | |
| Notes | Note Name | Page No. |
| A. | Other Postemployment Benefits | 1 |
| B. | Due to/Due From and Transfers | 2 |
| C. | Government Combinations and Disposals of Government Operations | 2 |
| Schedules | | |
| 1 | Schedule of Per Diem Paid to Board Members | 3 |

The Appendices Packet is located as a separate packet on OSRAP's website at <http://www.doa.louisiana.gov/OSRAP/afrpackets.htm>.

Schedule Number

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ended June 30, 2015

Pontchartrain Levee District
P.O. Box 426
Lutcher, LA 70071
(Agency Name & Mailing Address)

Send to:
Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

Send electronically to the
Louisiana Legislative Auditor:

LLAFileroom@lla.la.gov

Physical Address:
1201 N. Third Street
Claiborne Building, 6th Floor, Suite 6-130
Baton Rouge, Louisiana 70802

Address: (if unable to send electronically)
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, MONICA SAUN'S, Executive Director (Name)
(Title) of Pontchartrain Levee District (Agency) who duly sworn, deposes and says, that the financial
statements herewith given present fairly the financial position of Pontchartrain Levee District (agency) at June
30, 15 and the results of operations for the year then ended in accordance with policies and practices established
by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed
by the Governmental Accounting Standards Board. Sworn and subscribed before me, this 31 day of
August, 20 15.

Monica Saun's
Signature of Agency Official

Prepared by: MONICA SAUN'S

Title: Executive Director

Telephone No.: 225-869-9724

Date: August 31, 2015

Email Address: msaun's@leveedistrict.org

Justine E. James
NOTARY PUBLIC

Justine E. James, Notary Public
Parish of Ascension, State of Louisiana
Notary ID #32524
Commissioned for Life

STATE OF LOUISIANA
Pontchartrain Levee District
STATEMENT OF NET POSITION
AS OF June 30, 2015

Statement A

ASSETS

CURRENT ASSETS

| | | |
|--|----|------------|
| Cash and Cash equivalents | \$ | 9,986,352 |
| Restricted Cash and Cash Equivalents | | |
| Investments | | 16,498,426 |
| Derivative Instruments | | |
| Receivables (net of allowance for doubtful accounts) | | 76,783 |
| Due from other funds (Note B) | | |
| Due from federal government | | |
| Inventories | | 39,051 |
| Prepayments | | 283,246 |
| Notes Receivable | | |
| Other Current Assets | | |
| Total current assets | | 26,883,858 |

NONCURRENT ASSETS

| | | |
|--------------------------------------|----|------------|
| Restricted assets: | | |
| Cash | | |
| Investments | | |
| Receivables | | |
| Investments | | |
| Notes Receivable | | |
| Capital assets, net of depreciation | | |
| Land non-depreciable easements | | 1,097,676 |
| Buildings and improvements | | 709,584 |
| Machinery and equipment | | 981,682 |
| Infrastructure | | 18,784,816 |
| Intangible assets | | |
| Construction/Development-in-progress | | |
| Other noncurrent assets | | |
| Total noncurrent assets | | 21,573,758 |
| Total assets | \$ | 48,457,616 |

DEFERRED OUTFLOWS OF RESOURCES

| | | |
|--|----|------------|
| Accumulated decrease in fair value of hedging derivatives | \$ | |
| Deferred amounts on debt refunding | | |
| Adjustments of capital lease obligations | | |
| Grants paid prior to meeting time requirements | | |
| Intra-entity transfer of future revenues (transferee) | | |
| Losses from sale-leaseback transactions | | |
| Direct loan origination costs for mortgage loans held for sale | | |
| Fees paid to permanent investors prior to sale of mortgage loans | | |
| Deferred outflows related to pensions | | 1,939,320 |
| Total deferred outflow of resources | \$ | 1,939,320 |
| Total assets and deferred outflow of resources | \$ | 50,396,936 |

LIABILITIES

CURRENT LIABILITIES:

| | | |
|------------------------------------|----|---------|
| Accounts payable and accruals | \$ | 264,708 |
| Salaries & Wages Payable | | 173,752 |
| Due to other funds (Note B) | | |
| Due to federal government | | |
| Unearned revenues | | |
| Amounts held in custody for others | | |
| Other current liabilities | | |

STATE OF LOUISIANA
Pontchartrain Levee District
STATEMENT OF NET POSITION
AS OF June 30, 2015

Statement A

Liabilities Con't

| | |
|--|----------------------|
| Current portion of long-term liabilities | |
| Contracts payable | \$ _____ |
| Compensated absences payable | _____ |
| Capital lease obligations | _____ |
| Claims and litigation payable | _____ |
| Notes payable | _____ |
| Pollution remediation obligation | _____ |
| Bonds payable (include unamortized costs) | _____ |
| Other long-term liabilities | _____ |
| Total current liabilities | <u>438,460</u> |
| NONCURRENT LIABILITIES | |
| Contracts payable | _____ |
| Compensated absences payable | <u>230,384</u> |
| Capital lease obligations | _____ |
| Claims and litigation payable | _____ |
| Notes payable | _____ |
| Pollution remediation obligation | _____ |
| Bonds payable (include unamortized costs) | _____ |
| Net pension liability | <u>6,272,213</u> |
| OPEB payable | <u>4,547,416</u> |
| Other long-term liabilities | _____ |
| Total noncurrent liabilities | <u>11,050,013</u> |
| Total liabilities | <u>11,488,473</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Accumulated increase in fair value of hedging derivatives | \$ _____ |
| Deferred amounts related to service concession arrangement | _____ |
| Deferred amounts of debt refunding | _____ |
| Adjustments of capital lease obligations | _____ |
| Grants received prior to meeting time requirements | _____ |
| Property taxes received before the period of which the taxes were levied | _____ |
| Fines and penalties received in advance of meeting time requirements | _____ |
| Sales/intra-entity transfers of future revenues (transferor) | _____ |
| Gains from sale-leaseback transactions | _____ |
| Points received on loan origination | _____ |
| Loan origination fees received for mortgage loans held for sale | _____ |
| Deferred inflows related to pensions | <u>955,027</u> |
| Total deferred inflows of resources | <u>955,027</u> |
| NET POSITION | |
| Net investment in capital assets | <u>21,573,758</u> |
| Restricted | _____ |
| Capital projects | _____ |
| Debt Service | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| Unrestricted | <u>16,379,678</u> |
| Total net position | <u>37,953,436</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 50,396,936</u> |

The accompanying notes are an integral part of this financial statement.

INSTRUCTIONS FOR THE SIMPLIFIED STATEMENT OF ACTIVITIES

Expenses - include all expenses, both operating and non-operating.

Program Revenues - include revenues derived from the program itself. These revenues reduce the net cost of the BTA's activities that must be financed from its general revenues. Program revenues should be reported in the following three categories:

Charges for services - include revenues based on exchange or exchange-like transactions. An exchange transaction is one in which each party receives and gives up essentially equal values. These revenues arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Revenues in this category include fees charged for specific services.

Operating grants and contributions - revenue arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program **and** that may be used **either for operating or capital expenses** at the discretion of the BTA. (A non-exchange transaction is one in which an entity gives or receives value without directly receiving or giving equal value in return.)

Capital grants and contributions - revenue arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program **and** that are **restricted for capital purposes only** - to purchase, construct, or renovate capital assets associated with a specific program.

Net (Expense) Revenue - program revenues minus expenses.

General Revenues - all revenues are general revenues unless they are specifically required to be reported as program revenues.

Taxes - include all taxes received here, as all are considered general revenues, even those levied for a specific purpose.

State appropriations - include warrants drawn during the fiscal year and the 13th period, plus 14th period if applicable.

Grants and contributions not restricted to specific programs - revenue arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are not restricted to a specific program.

Interest - any interest earned that is not required to be reported as program revenue (Earnings on investments legally restricted to use by a specific program should be reported as program revenue).

INSTRUCTIONS FOR THE SIMPLIFIED STATEMENT OF ACTIVITIES

Miscellaneous - any general revenues that do not specifically fall under one of the categories listed.

Special items - significant items subject to management's control that meets one of the following criteria:

- 1) unusual in nature - possessing a high degree of abnormality and clearly unrelated or only incidentally related to the ordinary and typical activities of the entity.
- 2) infrequent in occurrence - not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates.

Extraordinary items - are both significant in nature and infrequent in occurrence.

Transfers - all interfund activities involving the flow of resources between funds.

Change in net position - net (expense) revenue plus general revenues and special items.

Net position - beginning - net position at the beginning of the fiscal year.

Net position - ending - beginning net position plus change in net position.

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Statement C

| | | Program Revenues | | |
|--|----------------------|-------------------------|---------------|--|
| | | Operating | Capital | |
| | | Grants and | Grants and | |
| | | Contributions | Contributions | |
| | Expenses | Charges for Services | | Net (Expense) Revenue and Changes in Net Position |
| Entity | \$ <u>10,288,002</u> | \$ <u></u> | \$ <u></u> | \$ <u>(10,288,002)</u> |
| General revenues: | | | | |
| Taxes | | | | <u>9,956,541</u> |
| Intergovernmental revenues | | | | <u>348,210</u> |
| Investment income | | | | <u>299,794</u> |
| Interest | | | | |
| Miscellaneous | | | | <u>29,397</u> |
| Special items | | | | |
| Extraordinary item | | | | |
| Transfers | | | | |
| Total general revenues, special items, and transfers | | | | <u>10,633,942</u> |
| Change in net assets | | | | <u>345,940</u> |
| Net position - beginning as restated | | | | <u>42,561,770</u> |
| Priod period adjustment for net pension liability | | | | <u>(4,954,274)</u> |
| Net position - ending | | | | <u>\$ 37,953,436</u> |

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015**

A. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

GASB Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses accounting and financial reporting for OPEB trust and agency funds of the employer. GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* establishes standards of accounting and financial reporting for OPEB expense/expenditures and related OPEB liabilities or OPEB assets, note disclosures, and required supplementary information (RSI) in the financial reports of governmental employers.

Calculation of Net OPEB Obligation

Complete the following table for only the net OPEB obligation (NOO) related to OPEB administered by the Office of Group Benefits. The ARC, NOO at the beginning of the year, interest, ARC adjustment, and Annual OPEB Expense have been computed for OGB participants (see OSRAP's website - <http://www.doa.louisiana.gov/OSRAP/afrpackets.htm>) and select "GASB 45 OPEB Valuation Report as of July 1, 2014, to be used for fiscal year ending June 30, 2015." Report note disclosures for other plans, not administered by OGB, separately.

| Annual OPEB expense and net OPEB Obligation | |
|--|------------------|
| Fiscal year ending | 6/30/2015 |
| 1. * ARC | \$516,500.0 |
| 2. * Interest on NOO | \$161,600.0 |
| 3. * ARC adjustment | \$154,340.0 |
| 4. * Annual OPEB Expense (1. + 2. - 3.) | \$523,760.0 |
| 5. Contributions (employer pmts. to OGB for retirees' cost of 2014 insurance premiums) | \$15,408.0 |
| 6. Increase in Net OPEB Obligation (4. - 5.) | \$508,352.0 |
| 7. *NOO, beginning of year (see actuarial valuation report on OSRAP's website) | 4039064 |
| 8. **NOO, end of year (6. + 7.) | <u>4,547,416</u> |

*This must be obtained from the OSRAP website on the spreadsheet "GASB 45 OPEB Valuation Report as of July 1, 2014, to be used for fiscal year ending June 30, 2015."

**This should be the same amount as that shown on the statement of net position for the year ended June 30, 2015 if your entity's only OPEB is administered by OGB.

For more information on calculating the net OPEB obligation, see the Appendices Packet, Appendix D, at <http://www.doa.louisiana.gov/OSRAP/afrpackets.htm>.

Note: If your only OPEB provider is OGB, your entity will have no OPEB note disclosures for OSRAP other than the OPEB calculation above; however, GASB Statement 45 note disclosures are required for separately issued GAAP financial statements. Please provide OSRAP with the applicable GASB Statements 45 note disclosures if your entity's OPEB group insurance plan is administered by an entity other than OGB. See GASB's website at

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015**

(<http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391>) to view
GASB Statement 45 and the note disclosure requirements.

B. DUE TO/DUE FROM – NOT APPLICABLE

**C. GOVERNMENT COMBINATIONS & DISPOSALS OF GOVERNMENT
OPERATIONS – NOT APPLICABLE**

[illegible]

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